

## Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 DOTE-00 CIAE-00 DODE-00 INR-10

NSAE-00 PA-04 RSC-01 USIA-15 PRS-01 SP-03 AEC-11

AID-20 CEA-02 CIEP-02 COME-00 EB-11 FEA-02 FPC-01

H-03 INT-08 L-03 NSC-07 OMB-01 PM-07 SAM-01 SCI-06

SS-20 STR-08 TRSE-00 SAJ-01 NIC-01 AGR-20 OPIC-12

DRC-01 /222 W

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R 110845Z APR 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 1211

INFO AMEMBASSY MOSCOW

AMCONSUL HONG KONG

USLO PEKING

USMISSION NATO

CINCPAC HONOLULU

C O N F I D E N T I A L TOKYO 4806

E.O. 11652: GDS

TAGS: ENRG PFOR JA UR CH

SUBJ: SIBERIAN DEVELOPMENT: COMMENTS OF PRESIDENT OF JAPAN  
CHAMBER OF COMMERCE

REF: TOKYO 4656

SUMMARY: JAPAN CHAMBER OF COMMERCE PRESENT NAGANO, WHO  
RECENTLY RETURNED FROM DISCUSSIONS WITH SOVIET LEADERS,  
TOLD ECONCOM/MIN APRIL 9 THAT SOVIETS WOULD BUILD SECOND  
SIBERIAN RAILWAY ON THEIR OWN, BUT SOUGHT JAPANESE CREDITS  
TO FINANCE ADDITIONAL COSTS INVOLVED IN UPGRADING RAILWAY SO  
THAT IT COULD HANDLE TRANSPORT OF TYUMEN OIL. NAGANO NOTED  
STRONG PERSONAL INTEREST AND DETAILED KNOWLEDGE OF GENERAL  
SECRETARY BREZHNEV IN RAILWAY PROJECT. NAGAOO ALSO MENTIONED  
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CONCERN OF PRC RE RAILWAY PROJECT -- A FACTOR WHICH

UNDOUBTEDLY CONTRIBUTED TO PM TANAKA'S RECENT STATEMENT RANKING TYUMEN AS FIFTH IN LIKELY ORDER OF COMPLETION OUT OF SEVEN SIBERIAN DEVELOPMENT PROJECTS UNDER CONSIDERATION. END SUMMARY.

1. DURING FAREWELL CALL APR 9 EMONCOM/MIN DISCUSSED RECENT SOVIET INITIATIVES RE SIBERIAN DEVELOPMENT WITH JAPAN CHAMBER OF COMMERCE PRESIDENT SHIGEO NAGANO, WHO RECEIVED SOVIET PROPOSALS DURING RECENT VISIT TO MOSCOW (SEE TOKYO 3965). NAGANO NOTED THAT SUBSTANTIAL CONFUSION HAD ARISEN IN PRESS OVER EXACTLY WHAT ROLE JAPAN WOULD PLAY IN CONSTRUCTION OF RAILWAY. NAGANO SAID SOVIETS HAD MADE IT CLEAR TO HIM THAT THEY HAD LONG HAD PLANS FOR CONSTRUCTION OF THIS RAILWAY AND WERE NOT EXPECTING JAPANESE OR AMERICAN INVESTMENT IN RAILWAY PER SE. WHAT SOVIETS ARE SEEKING, NAGANO SAID, IS FOREIGN CREDITS FOR ADDITIONAL COSTS INVOLVED IN UPGRADING CAPABILITY OF RAILWAY SO THAT IT CAN HANDLE TRANSPORTATION OF 25 MILLION TONS OF CRUDE OIL PER YEAR. NAGANO ADDED THAT IT WAS BECAUSE OF THIS CONFUSION OVER WHAT SOVIETS SOUGHT FROM JAPAN THAT SOVIET AMBASSADOR TROYANOVSKY HAD MET PRESS RECENTLY IN AN ATTEMPT TO CLARIFY SITUATION. (COMMENT: PRESS CONFERENCE HOWEVER SEEMS TO HAVE MUDDIED WATERS FURTHER SINCE FONOFF READ TROYANOVSKY'S REMARKS AS POSSIBLE INDICATION SOVIETS WERE LESS ENTHUSIASTIC ABOUT INVOLVING JAPAN IN RAILWAY PROJECT - SEE REFTEL. ACCORDING NAGANO, HOWEVER, THIS WAS NOT TROYANOVSKY'S INTENTION).

2. NAGANO CONTINUED THAT IT HAD BEEN VERY CLEAR DURING VISIT TO MOSCOW THAT BREZHNEV PERSONALLY INTERESTED IN RAILWAY PROJECT. NAGANO AND UEMURA HAD BEEN SCHEDULED FOR 10-MINUTE INTERVIEW WITH BREZHNEV. HOWEVER, NAGANO SAID THAT BREZHNEV HAD TAKEN TIME OUT OF NEGOTIATIONS WITH SECRETARY KISSINGER ON SALT, WHICH WERE THEN IN PROGRESS, TO SPEND 45 MINUTES PROMOTING RAILWAY PROJECT. BREZHNEV HAD EVEN SHOWN NAGANO AND UEMURA MAPS OF THE PROPOSED RAILWAY ROUTE, WHICH HE KEPT IN HIS DESK

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DRAWER, AND EXPLAINED HIS INTEREST IN JAPANESE COOPERATION IN THE DEVELOPMENT OF SIBERIA.

3. IN ADDITION TO FIVE SIBERIAN DEVELOPMENT PROJECTS WHICH PREVIOUSLY UNDER CONSIDERATION BETWEEN JAPAN AND THE USSR, NAGANO MENTIONED THAT SOVIETS SOUGHT TO ADD TWO MORE PROJECTS; CONSTRUCTION OF TWO OR THREE PAPER PULP PLANTS AND JAPANESE PARTICIPATION IN FOUR

MILLION KW ATOMIC POWER PLANT ON SAKHALIN ISLAND, WHICH WOULD SELL POWER TO JAPAN. PAPER PULP PLANT WOULD BE CONSIDERED BY JAPAN-SOVIET ECONOMIC COOPERATION COMMITTEE, NAGANO SAID, BUT ATOMIC POWER PLANT COOPERATION WOULD BE DIFFICULT TO CONSIDER BECAUSE OF STRONG VIEWS IN POLITICAL CIRCLES REGARDING OVERDEPENDENCE ON SOVIET UNION AS SOURCE OF ENERGY SUPPLY, AND IMMEDIATE IMPACT THAT POWER INTERRUPTION WOULD HAVE ON JAPANESE ECONOMY.

4. NAGANO CONCLUDED THAT PRC HAS SHOWN CONCERN OVER SIBERIAN RAILWAY PLAN, AND THAT THIS WAS CONSISTENT WITH INDICATIONS HE HAD RECEIVED IN PEKING JUST BEFORE HIS VISIT TO MOSCOW. NAGANO SAID PRC FIRST DEPUTY PREMIER LI HSIEN-NIEN HAD WARNED HIM THAT JAPAN WOULD BE BETRAYED BY SOVIETS LATER, NO MATTER WHAT PROMISES THEY MIGHT MAKE NOW. LI THEN TOLD NAGANO ABOUT "BITTER" CHINESE EXPERIENCES CONCERNING WITHDRAWAL OF SOVIET ENGINEERS SOME YEARS AGO.

4. NAGANO'S COMMENTS ABOVE ON POLITICAL PROBLEMS INVOLVED IN TYUMEN AND SAKHALIN ATOMIC POWER PROJECT INDICATE SOME OF LASES OF PM TANAKA'S RESPONSE TO DIET QUESTION APR 9 ON SIBERIAN DEVELOPMENT. ASKED TO RANK SIBERIAN DEVELOPMENT PROJECTS IN ORDER IN WHICH THEY MIGHT BE REALIZED, TANAKA REPORTEDLY SAID PROJECTS MIGHT BE COMPLETED IN FOLLOWING ORDER:

1. K-S II TIMBER PROJECT
2. SOUTH YAKUTSK COAL PROJECT
3. YAKUTSK GAS PROJECT (PRESUMABLY EXPLORATION PHASE)
4. SAKHALIN CONTINENTAL SHELF OIL AND

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GAS DEVELOPMENT

5. TYUMEN
6. PULP PLANT CONSTRUCTION
7. NUCLEAR POWER PLANT CONSTRUCTION

TANAKA REPORTEDLY SAID THAT FIRST THREE PROJECTS HAD REACHED FINAL STAGES OF NEGOTIATIONS. ADDED THAT PULP PLANT PROJECT SEEMED UNLIKELY CANDIDATE FOR JAPANESE COOPERATION BECAUSE U.S. BUSINESS INTERESTS HAD "MOVED INTO" PROJECT. EDMOND

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